

TECHNOLOGY EQUIPMENT PLANNING

There have been several key changes to school funding, over the last couple years, which have impacted technology purchases for schools. These changes include:

- Additional funding for Priority II e-rate projects;
 - Lower state aid funding;
 - Tax cap constraints;
 - Higher scrutiny of state and federal aid
- Smart School Bond Act

Due to these changes, it is more important than ever for districts to create a long-term plan for purchasing equipment and plan their purchases early in each year, in order to maximize the e-rate revenue and state aid. Below is a summary of how state aid, the tax cap, and e-rate can impact your computer purchases.

State Aid

State aid is received on services related to equipment purchases the year after the equipment purchase is made. Any deviation in how much is spent on equipment (higher or lower) from year to year will impact your revenue in the following year. Ideally, it would be beneficial to have a constant and consistent revenue stream for budget planning. During the last few State budget years, the Governor has proposed putting a freeze on BOCES aid. This would cap BOCES Aid on services purchased after November 1. Currently, there is no “freeze”, however, that is always a possibility in future years because it helps the state add predictability to their state budget. In addition to BOCES Aid a district wants to make sure it maximizes its use of the Instructional Material Aids that include the Instructional Hardware and Technology aid. As purchases are being made for technology, a district needs to ensure that those aids are accounted for and that the maximum allocation for the year is used.

Tax Cap Regulations

With the implementation of the tax cap, Districts need to consider long-term planning of purchases, including technology that can impact the budget every year. When planning such purchases, Districts need to consider not only the expense side of the purchase, but also the revenue that might be created through different aids, such as e-rate and BOCES aid. Spikes in both expense and revenue can create problems for districts under the new tax cap regulations.

E-rate Funding

Over the last couple years there have been more opportunities for schools to receive priority II funding of e-rate projects, which includes equipment. Districts that were not eligible before may be eligible now. The timeline for e-rate requires districts to notify vendors of bidding opportunities in the early fall. If a district does not meet the deadlines for bidding, and the application, they may lose out on additional funding opportunity.

Regardless of whether you are eligible for these additional funding opportunities, the fact is that technology purchases are expensive to purchase and can put a strain on your budget. Planning for the future purchases of equipment is becoming more important as new requirements such as on-line testing initiatives, and the greater use of wireless devices is creating complexity within district networks. The earlier in your

budget year you can plan for these purchases, the better prepared your district will be to meet these challenges and respond if funding opportunities are changed or new funding sources present themselves.

In order to demonstrate the impacts on your budget, we have come up with three scenarios to show the impact of revenues and expenses on your budget over a period of years.

Please feel free to contact your district's CSR or project manager if you have questions.

Other Funding Sources

Other Funding sources including Smart School Bond money and Race To The Top funds (RTTT) have been made available to districts over the last couple of years. Even though these funding sources are hard to predict when they might become available and how much becomes available it is to the benefit of the district to have a long range technology plan that outlines the priorities and the needs of the district in order to help the district target the money in the most beneficial areas.

Technology Equipment Funding Scenarios

Assumes 50% e-rate reimbursement / 50% state aid

Scenario 1: No long-term planning, but meets deadline for e-rate and state aid

Year:	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Totals
Expense(A)	\$ 50,000	\$ 20,000	\$ 100,000	\$ 10,000	\$ 80,000	\$ -	\$ 260,000
E-rate Reimbursement(B)		\$ 25,000	\$ 10,000	\$ 50,000	\$ 5,000	\$ 40,000	\$ 85,000
State Aid Reimbursement(C)		\$ 12,500	\$ 5,000	\$ 25,000	\$ 2,500	\$ 20,000	\$ 65,000
Net Cost(impact on taxes)	\$ 50,000	\$ (17,500)	\$ 85,000	\$ (65,000)	\$ 72,500	\$ (60,000)	\$ 110,000

Scenario 2: Long-term planning, meets deadline

Year:	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Totals
Expense(A)	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000	\$ -	\$ 260,000
E-rate Reimbursement(B)		\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 26,000	\$ 130,000
State Aid Reimbursement(C)		\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 65,000
Net Cost(impact on taxes)	\$ 52,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ (39,000)	\$ 65,000

Scenario 3: Missed deadlines because of only purchasing equipment with end of year money. Note: In this scenario it assumes a district is eligible for priority 2 e-rate projects and that sometime in near future a November 1 state aid freeze is put on to BOCES aid, which is not the case at this time.

Year:	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Totals
Expense(A)	\$ 50,000	\$ 20,000	\$ 100,000	\$ 10,000	\$ 80,000	\$ -	\$ 260,000
E-rate Reimbursement(B)			\$ 10,000	\$ 50,000	\$ 5,000	\$ 40,000	\$ 105,000
State Aid Reimbursement(C)		\$ 25,000	\$ 5,000	\$ 0	\$ 2,500	\$ 20,000	\$ 52,500
Net Cost(impact on taxes)	\$ 50,000	\$ (5,000)	\$ 85,000	\$ (40,000)	\$ 72,500	\$ (60,000)	\$ 102,500

Note(s): In the scenarios above, a negative net cost indicates more revenues than expense and would theoretically lower your tax rate; The last column of each scenario is a total of each row for the six (6) years.

Description of scenario's

Expense: The expense represents the money the District is investing in technology equipment each year. In Scenario 1 the expense fluctuates each year vs. Scenario 2 where the District is spending the same amount of money each year.

E-rate reimbursement: The e-rate reimbursement is estimated at 50% reimbursement rate. A District applies for e-rate and if approved is reimbursed for the expenses in the year following the purchase. In Scenario 1 the expense of \$50,000 in 2011-12 is creating the e-rate reimbursement of \$25,000 in 2012-13. It is important to note that the e-rate application for 2011-12 was actually submitted in the 2010-11 school year. So planning is critical if you are interested in maximizing e-rate revenue.

State Aid Reimbursement: The state aid reimbursement represents the state aid for the equipment/services purchased through BOCES. In the scenarios the aid that is shown is created by the expenditure from the year before. For example, in Scenario A the aid of \$12,500 in 2012-13 represents the spending done in 2011-12. Even though the aid for the district is a 50% aid ratio the district only receives aid on the portion of the net expense after the e-rate money is taken into account. In Scenario 1 the District is receiving e-rate of \$25,000 on the \$50,000 expense in 2011-12, so the remaining balance of \$25,000 that is not reimbursed in e-rate is what receives the aid. That is why there is only \$12,500 in state aid produced (this is explained in more detail later in document).

Net cost (impact on taxes): This number represents the cash flow and net impact on a district's budget from year to year. In the year 2011-12 (in the scenarios), there is expense for computers but the e-rate and aid do not come until the following year. Therefore, the impact on the District is that they have to collect the full amount in taxes to cover expense. For example, in 2011-12 there is no aid coming in so in Scenario 1 the District has to budget \$50,000 with no off-setting revenue in that year, so their out-of-pocket net expense is \$50,000.

In the 2012-13 year in Scenario 1, the District is spending \$20,000. However, they will receive \$25,000 in e-rate money and \$12,500 in state aid, or \$35,000 total in revenues. This money can be used to offset the \$20,000 of expense. In this scenario, the District will receive \$17,500 more in 2012-13. The "\$17,500" in the cell indicates that there will be more revenue than expense in that year. Therefore, hypothetically, the taxes need to be collected in that year to cover the expense that would be less.

When reviewing the scenarios, Scenario 1 shows the swings in the budget and in the possible impact on taxes if a District purchases equipment only when the dollars are available and has little planning going on. Scenario 2 shows how planning and consistent purchasing of equipment can add stability to school budgets and taxes. Scenario 3 demonstrates the impact on budgets when District's only use fund balance to purchase equipment, and they do not plan ahead and/or they miss deadlines in filing for e-rate or state aid.

When reviewing Scenario 1, if you look at the first few years, below is a written interpretation of the table:

In 2011-12, the District spends \$50,000 on equipment but receives no e-rate and no aid because it is Year 1. Hypothetically, the District would have to collect \$50,000 in taxes. In 2012-13 the District spends \$20,000 on equipment, but they are also going to receive \$25,000 in e-rate and \$12,500 in state aid so the District would receive \$17,500 more in revenue than they had expense. So, hypothetically the taxes needing to be collected would be \$17,500 less than needed because of the addition of revenue. In 2013-14 the District spends \$100,000 for equipment, but because they only spent \$20,000 the year before, they would only receive \$10,000 in e-rate and \$5,000 in state aid, or \$15,000. Therefore, they will have to come up with \$85,000 in taxes to pay for the equipment. In 2014-15 the District spends \$10,000 for equipment and they receive \$50,000 in e-rate and \$25,000 in state aid. The District in this case

would receive \$65,000 more in revenue than they spent, so hypothetically the tax needed to be collected will be \$65,000 less because of the extra revenue. As you go through the remaining years, and other scenarios, you can see how budgets and taxes are impacted by different purchasing strategies.

How e-rate impacts state aid.

When a District receives e-rate money for equipment and services, it impacts the BOCES aid a district receives. The state does not allow a district to receive both e-rate and state aid on the same expense, so as in the examples for these scenarios, when the district receives the e-rate money, the BOCES aid is then paid on the remaining unreimbursed portion of the expense. The actual process on how this is accounted for is a little more complicated. However, the end result is that the e-rate money is treated like an aid reduction for the schools. As the examples demonstrate, a district will always receive more revenue on an expense if they apply for both e-rate and state aid. It is also important to note that if the e-rate does not come in or is not approved, it does not impact state aid.